

Soapbox

## Women on boards

It's still a man's world in the corporate boardroom.

Laura Colby / 16 April 2017 00:02



*The US tech sector, notable for the rise of Sheryl Sandberg and Ginni Rometty, is lagging.*

Women are well established in professions like medicine, law and banking. They've advanced to the top of prominent companies, including General Motors, GlaxoSmithKline, PepsiCo and IBM. Yet a gap remains: corporate boards.

Men hold about 80% of all S&P 500 board seats and growth in female representation has slowed. European countries and companies have instituted formal mandates, sometimes backed by fines, to narrow a similar corporate-board gender gap. Then there's Asia, where women are virtually absent from boards, holding 10.2% of seats in a 2016 study of 100 companies.

### The situation

Legal directives raised female representation on corporate boards in large listed companies in the European Union, to 23.3% in 2016 from 11.9% in 2010. In the US, the pace at which women were added to Fortune 500 boards slowed to about 2% yearly after a decade of 5% annual growth ended in 2005. In the UK and Finland, public shaming by advocacy groups has stirred some shareholders to urge change.

Elsewhere, in the absence of legal or activist pressure, the makeup of boards has hardly changed. The US tech sector, notable for the rise of Sheryl Sandberg (pictured) and Ginni Rometty, is lagging: One-quarter of Silicon Valley companies had no female directors when surveyed in 2016.

### The background

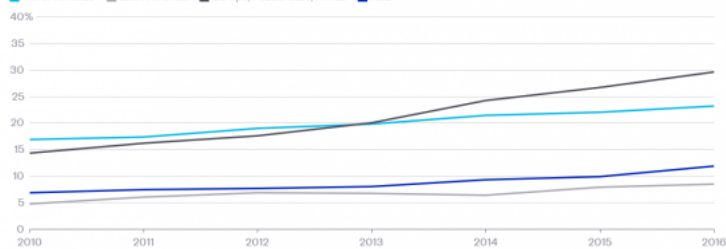
The first female directors were elected in the US as early as 1900, while the average year companies in the Fortune 250 put a woman on a board was 1985, according to a Stanford University survey. In 2003, Norway became the first country to legislate gender balance on corporate boards. By 2008, no board there with more than nine members could have fewer than 40% of its seats filled by either sex. Norway reached the 40% threshold in 2007, yet this had little impact on the gap in pay between men and women, or on the number of women in key leadership positions.

Countries with some form of quotas include Germany, Belgium, Finland, France, Italy, the Netherlands, Spain, India, Malaysia and Israel. Where legal mandates haven't been enacted, researchers note that shareholders generally have been indifferent to the gender composition of their companies' boards. In the US, some shareholders have successfully pressed companies to add more women to their boards and top management.

### Diversity Grows Slowly in the Boardroom

Percentage of female corporate directors by region\*

■ North America ■ Latin America ■ Europe, Middle East, Africa ■ Asia



Source: Bloomberg

\* Data are for 100 largest public companies by market value in each region. For companies that haven't filed 2016 summary figures, first-quarter 2017 numbers were used, where available.

Bloomberg QuickTake

In the UK, the 30% Club, a group of CEOs and chairmen opposed to gender-equality laws, is pressing for change. Since the club's founding in 2010, the proportion of women on FTSE 100 boards has risen to 26% from 12.5%. In June 2014, the club cheered the end of all-male boards among the FTSE 100.

### The argument

Some organisations, including the EU, make an economic argument for the integration of women in leadership. They say gender diversity reflects a world where females make 70% of the economic choices and results in better decision making. A Credit Suisse study showed that companies with at least one woman board member saw an average

return on equity of 14.1% from 2005 to 2015. Where boards were all-male, average returns were 11.2%.

Other research found that company performance isn't closely correlated with directors' gender, and that awarding "golden skirts" for the sake of parity may compromise a board's quality. (One academic analysis found that Norway experienced a drop in the value of its companies' shares after its gender-equality mandate was enacted.)

Advocates say women shouldn't have to prove their impact to the bottom line to justify a seat at the table. In this view, it's just the right thing to do.

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